

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3733-01
Bill No.: SB 726
Subject: Entertainment, Sports and Amusements; Taxation and Revenue - Sales and Use
Type: Original
Date: February 8, 2010

Bill Summary: Would exempt admission fees for yoga and certain other physical training programs from state and local sales and use tax.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue Fund	(Unknown)	(Unknown)	(Unknown)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
School District Trust	(Unknown)	(Unknown)	(Unknown)
Conservation Commission	(Unknown)	(Unknown)	(Unknown)
Parks, and Soil and Water	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

In response to similar proposals, officials from the **Office of the Secretary of State (SOS)** stated that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

ASSUMPTION (continued)

Officials from the **Department of Conservation** (MDC) assume this proposal would exempt admission fees for yoga and certain other physical training programs from state and local sales and use tax. This proposed legislation could have a negative fiscal impact on MDC funds. However, without knowing current sales tax collections from the entities being exempted, MDC is unable to estimate the impact and will rely on the Department of Revenue for an estimate of the fiscal impact of this legislation.

Officials from the **Department of Elementary and Secondary Education** assume this proposal would not impact their organization or local schools, other than any resulting impact from the reduction of state revenues.

Officials from the **Department of Natural Resources** (DNR) assume this proposal would create a state and local sales tax exemption on the amount paid or charged for admission, participation, or other fees or charges paid for instruction, lessons, or classes in physical exercise or personal training including but not limited to Yoga, Tai Chi, Qiyong or other such training which provide spiritual benefits to its practitioners provided such instruction, lessons, or classes are not provided by a health club, fitness center, or spa.

The Department's Parks and Soils Sales Tax Funds are derived from a one-tenth of one percent sales and use tax. Adding exemptions from sales tax would have a negative effect on total state revenue. Exempting sales tax for the purposes described in this proposal would also decrease the amount of funding available in the Parks & Soils Sales Tax Funds for long term operation of state parks and historic sites and assistance to agricultural landowners through voluntary programs.

DNR officials provided an estimate of unknown revenue reductions for the General Revenue Fund and the Parks and Soils Sales Tax Fund.

Officials from the **Department of Revenue** (DOR) assume this proposal would exempt from sales tax amounts paid for admission, participation, etc, for instructions, lessons, or classes in physical fitness/personal training. The proposed language includes, but does not appear to limit the exercise/training to Yoga, Tai Chi, Qiyong (Qigong) or other training that provides spiritual benefits. The instructions, lessons, or classes could not be provided by a health club, fitness center or spa.

ASSUMPTION (continued)

DOR officials anticipate additional contacts regarding whether various types of training, instruction, lessons, or classes would be eligible for this exemption. Collections and Tax Assistance estimates that one FTE Revenue Processing Technician I (Range 10, Step L) would be required for every additional 24,000 contacts annually to the Registration section and one FTE Revenue Processing Technician I (Range 10, Step L) would be required for every additional 4,800 contacts annually in the Tax Assistance Offices.

In summary, DOR officials submitted an estimate of the cost to implement this proposal including two additional employees with benefits, expense, and equipment totaling \$79,301 for FY 2011, \$84,162 for FY 2012, and \$86,689 for FY 2013.

Oversight assumes there would be a limited number of entities eligible for this sales and use tax exemption and that DOR could absorb the additional workload with existing resources. If this proposal created a significant unanticipated increase in the DOR workload, or if multiple such proposals were implemented, resources could be requested through the budget process.

Officials from **St. Louis County** assume the proposal would not result in a large revenue reduction for their organization.

Officials from the **City of Centralia** assume this proposal would have no fiscal impact on their organization.

Officials from the **City of Kansas City**, the **Jackson County Board of Election Commissioners**, and the **Parkway School District** assume this proposal would have no fiscal impact on their organizations.

Officials from the **City of West Plains** assume this proposal would have an unknown negative fiscal impact on their organization.

Officials from the **Sikeston R-6 School District** responded to our request for information but did not indicate whether the legislation would have a fiscal impact on their organization.

ASSUMPTION (continued)

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) did not respond to our request for information. In response to a similar proposal from the previous session (HB 94, LR 182-01, 2009) BAP officials provided an estimate of health and fitness club dues and fees.

That proposal was estimated to cause revenue reduction as follows:

This proposal would exempt health club dues and fees from sales tax. According to the 2002 US economic census, fitness and recreational sports centers in Missouri had receipts in the amount of \$177 million. Assuming a growth rate of 3% each year, estimated receipts in 2009 would be \$218 million. Therefore, this proposal could reduce general and total state revenues by the following amounts annually:

GR	\$6.5 million
Education	\$2.2 million
Conservation	\$0.3 million
DNR	\$0.2 million
Local (2.5%)	\$5.5 million

Oversight notes that this proposal would only exempt from sales taxes the amounts paid for specific types of classes and training, and that the exempted amounts would exclude fees paid to a health club, fitness center, or spa. Accordingly, Oversight will indicate an unknown loss to those state funds which receive sales and use tax revenues, and to local governments.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
GENERAL REVENUE FUND			
<u>Revenue reduction</u> - sales tax exemption	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
SCHOOL DISTRICT TRUST FUND			
<u>Revenue reduction</u> - sales tax exemption	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
CONSERVATION COMMISSION FUND			
<u>Revenue reduction</u> - sales tax exemption	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
PARKS, AND SOIL AND WATER FUNDS			
<u>Revenue reduction</u> - sales tax exemption	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUNDS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
LOCAL GOVERNMENTS			
<u>Revenue reduction</u> - sales tax exemption	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

The proposed legislation would exempt admission fees for yoga and certain other physical training programs from state and local sales and use tax.

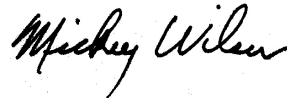
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Conservation
Department of Elementary and Secondary Education
Department of Natural Resources
Department of Revenue
St. Louis County
City of Centralia
City of Kansas City
City of West Plains
Jackson County Board of Election Commissioners
Parkway School District
Sikeston R-6 School District

NOT RESPONDING

Office of Administration
Division of Budget and Planning



Mickey Wilson, CPA
Director
February 8, 2010